

## Message Text

LIMITED OFFICIAL USE

PAGE 01 COLOMB 00223 181141Z  
ACTION NEA-10

INFO OCT-01 ISO-00 ONY-00 /011 W  
-----181233Z 078013 /23R 10  
R 181155Z JAN 77  
FM AMEMBASSY COLOMBO  
TO SECSTATE WASHDC 6559

LIMITED OFFICIAL USE COLOMBO 0223

E.O. 11652:N/A  
TAGS: AFSP, EARL, ECON, CE  
SUBJECT: CALENDAR YEAR 1976 INFLATION RATE

REF: STATE 009005

1. BEGIN UNCLASSIFIED. ACCORDING TO GSL DEPARTMENT OF CENSUS AND STATISTICS, COLOMBO CONSUMER'S PRICE INDEX FOR DECEMBER 1976 WAS 201.5 (1952 EQUALS 100). THIS REPRESENTS AN INCREASE OF 1.0 PERCENT FROM PREVIOUS DECEMBER'S INDEX OF 199.6. END UNCLASSIFIED.

2. BEGIN LIMITED OFFICIAL USE. COLOMBO CONSUMER'S PRICE INDEX IS ONLY AVAILABLE MEASURE OF PRICE INCREASES IN SRI LANKA BUT IS ESSENTIALLY WORTHLESS. INDEX IS BASED ON MARKET BASKET OF GOODS FOR TYPICAL WORKING CLASS FAMILIES IN COLOMBO (WHICH REPRESENTS ABOUT 3-5 PERCENT OF COUNTRY'S POPULATION). WEIGHTS USED IN INDEX HAVE NOT BEEN REVISED SINCE 1952 DESPITE SUBSTANTIAL CHANGES IN CONSUMPTION PATTERNS. BIGGEST SHORTCOMING OF INDEX IS THAT CONTROLLED PRICES ARE USED IN CALCULATING

INDEX EVEN THOUGH MANY ITEMS MAY ONLY BE AVAILABLE AT MUCH HIGHTER PRICES IN EITHER OPEN OR BLACK MARKETS. FOR EXAMPLE, DUE TO GSL DISTRIBUTION OF WEEKLY FREE POUND OF RICE TO ALL NON-INCOME TAX PAYERS, PRICE OF RICE USED IN LIMITED OFFICIAL USE

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INDEX IS ZERO RATHER THAN UNSUBSIDIZED OPEN-MARKET PRICE WHICH HAS RECENTLY BEEN FLUCTUATING BETWEEN RS. 1.40 AND RS. 2.00 (\$0.16 AND \$ 0.23 AT CURRENT OFFICIAL EXCHANGE RATE) PER POUND.

3. IN ITS ANNUAL REPORT, CENTRAL BANK OF CEYLON PROVIDES SOME ADDITIONAL PRICE INFORMATION. IN MAKING GNP ESTIMATES

AT CURRENT AND CONSTANT FACTOR PRICES, CENTAL BANK  
CALCULATES IMPLICIT GNP DEFLATOR WHCIH APPEARS TO BE A  
MORE ACCURATE MEASURE OF INFLATION. UNFORTUNATELY, DEFLATOR  
FOR 1976 WILL NOT BE AVAILABLE FOR SEVERAL MONTHS.

4. CENTRAL BANK ALSO COLLECTS ITS OWN DATA ON PRICES OF A  
LIMITED NUMBER OF COMMODITIES OTHE THAN THOSE COVERED  
BY THE INDEX AND ON WHOLESALE PRICES OF LOCALLY MANUFACTURED  
GOODS. THIS INFORMATION IS PUBLISHED ONLY IN  
CENTRAL BANK'S ANNUAL REVIEW OF ECONOMY (1976 EDITION  
DUE OUT IN MAY 1977) AND IS NOT SUFFICIENT TO  
ACCURATELY MEASURE OVERALL PRICE LEVELS. EMBASSY  
UNDERSTANDS, HOWEVER, THAT CENTRAL BANK COLLECTS PRICE  
DATA MONTHLY AND UNOFFICIALLY CALCULATES ITS OWN PRICE  
INDICIES. EMBOFF ASKED CENTRAL BANK ECONOMIC RESEARCH  
DIRECTOR KARUNATILAKE IF EMBASSY COULD OBTAIN RESULTS  
OF THESE UNOFFICIAL CALCULATIONS, BUT KARUNATILAKE  
SAID THAT WOULD NOT BE POSSIBLE. WHEN ASKED IF HE  
WOULD BE WILLING TO ESTIMATE INCREASE IN COST OF LIVING  
DURING 1976, KARUNATILAKE REPLIED "35 PERCENT".  
WHILE THIS ESTIMATE SEEMS EXTRAORDINARILY HIGH, JUST  
AS OFFICIAL MEASURE OF 1.0 PERCENT SEEMS EXTRAORDINARILY LOW,  
KARUNATILAKE IS AN ABLE ECONOMIST WITH A SIZABLE STAFF AND  
PROBABLY KNOWS AS MUCH AOR MORE  
ABOUT WHAT IS GOING ON IN THE SRI LANKA ECONOMY THAN ANY OTHER  
SINGLE INDIVIDUAL.  
REED

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NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INFLATION, RETAIL PRICE INDEXES  
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**Decaption Date:** 22 May 2009  
**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977COLOMB00223  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** ONLY  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
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**Previous Handling Restrictions:** ONLY  
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**Status:** NATIVE  
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**TAGS:** AFSP, EALR, ECON, CE  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009